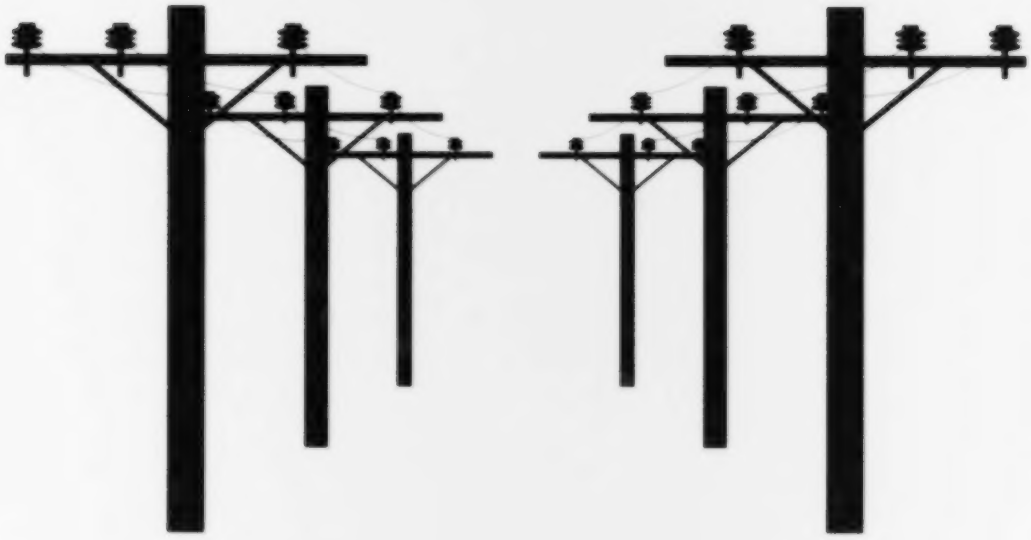
2002
ANNUAL REPORT



PUBLIC UTILITES BOARD
OF THE NORTHWEST TERRITORIES

Northwest
Territories

103-03504/

PUBLIC UTILITIES BOARD

OF THE NORTHWEST TERRITORIES

ANNUAL REPORT

For the year ending
December 31, 2002

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Northwest Territories Minister Responsible for the Public Utilities Board

The Honourable Glenna Hansen
Commissioner of the Northwest Territories

I take pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2002.

Roger T. Allen
Minister

Attachment

Northwest Territories Public Utilities Board

March 14, 2003

The Honourable Roger T. Allen
Minister Responsible for the
Public Utilities Board
of the Northwest Territories

Dear Minister:

I am pleased to submit the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 2002, in accordance with the provisions of Section 16. (1) of the *Public Utilities Act*.

Yours truly,

John E. Hill
Chairperson

203 - 62 Woodland Drive, Box 4211, Hay River, NT X0E 1G1
Telephone (867) 874-3944 Fax (867) 874-3639

SUMMARY OF 2002 BOARD DECISIONS

DECISION 1-2002 **February 15, 2002**

Application:
The Northwest Territories Power Corporation ("**NWTPC**") submitted to the Public Utilities Board ("**Board**"), on May 9, 2001, a Phase I General Rate Application ("**GRA**"), for the test years April 1, 2002 to March 31, 2002 and April 1, 2002 to March 31,2003. NWTPC sought an order or orders of the Board to determine a rate base and revenue requirement for each of the test years.

As well, the application requested that the Board approve;

> An application for Required Firm Capacity Planning Criteria for the Snare Yellowknife Zone, Diesel Communities and dual fuel generation communities;
>
> An application for an Alternative Energy Fund;
>
> The continuation of Rate Stabilization funds;
>
> Revised Terms and Conditions of Service.

By letter dated October 1, 2001, NWTPC confirmed its intention to contract all interested parties with respect to a negotiated settlement conference. A Comprehensive Negotiated Settlement Agreement was dated and filed with the Board on November 20, 2001.

The Negotiated Settlement Agreement had the overall effect of reducing NWTPC's revenue requirement, as applied for and amended by letter dated November 2, 2001, from $69,669,000 to $63,566,000 in 2001/02 and from $70,955,000 to $66,639,000 in 2002/03, an aggregate reduction of $10,419,000 over the two years.

As part of the Negotiated Settlement Agreement, the Corporation withdrew the proposed capacity planning criteria for the Snare-Yellowknife zone. NWTPC and the intervenors agreed to pursue further discussions with a view to resolving their differences by October 1, 2002. In the event that an agreement among all interested parties was not reached by such date, the intervenors agreed that the Corporation might make application to the Board to have the Board resolve the issue.

The Corporation also withdrew the proposal for an Alternative Energy Contribution Fund.

No party to the proceeding suggested that any change was warranted to the Rate Stabilization Funds.

The Board noted that it would deal with the matter of NWTPC's Terms and Conditions of Service as part of Phase II of NWTPC's GRA.

Order;
The Board determined NWTPC's rate base to be $169,639,000 and $167,770,000 for the Test Years 2001/02 and 2002/03 respectively. Revenue requirements of $63,566,000 and $66,639,000 for the Test Years 2001/02 and 2002/03 respectively were approved.

DECISION 2-2002 **April 22, 2002**

Application:
By letter dated April 8, 2002, the Yellowknife Chamber of Commerce applied for Intervenor costs in an amount of $1,683.30 with respect to NWTPC's 2001/02 and 2002/03 Phase I GRA.

Order:
The Board reviewed and approved the intervenor costs as submitted.

DECISION 3-2002 **April 23, 2002**

Application:
By letter dated March 1, 2002, Mr. A.O. Ackroyd, Q.C., on behalf of the Village of Fort Simpson applied for Intervenor costs in an amount of $72,223.45 with respect to NWTPC's 2001/02 and 2002/03 Phase I GRA.

NWTPC requested that the Application be revised to reflect the Goods and Services Tax ("**GST**") rebates available to the Village.

Order:
The Board reviewed and approved the intervenor costs, in an amount of $69,539.89 to reflect a rebate to the municipality of 57% of the amount of GST originally claimed.

DECISION 4-2002 **July 23, 2002**

Application:
By letter dated April 8, 2002, the City of Yellowknife ("**the City**"), on behalf of the City and the Town of Hay River ("**the Town**"), applied for Intervenor costs in an

amount of $94,902.45 with respect to NWTPC's 2001/02 and 2002/03 Phase I GRA.

Order:
The Board reviewed and approved the intervenor costs application, as submitted.

DECISION 5-2002 **August 13, 2002**

Application:
By letter dated July 29, 2002, Northland Utilities (NWT) Limited ("**Northland NWT**") submitted an application to decrease the existing diesel fuel rider (Rider A) for all Northland's customers in the Northwest Territories and also applied for an order approving a decrease in the existing diesel generation rider (Rider I) for the Hay River rate zone.

Order:
After reviewing the applications and schedules, the Board approved the rate rider decreases.

DECISION 6-2002 **August 15, 2002**

Application:
By letter dated July 12, 2002, NWTPC applied to the Board for an order or orders approving:

1. A Revenue Shortfall Rider to apply to all rate classes with the exception of the Industrial Class in the amount of 2.0 cents/kWh, until the balance of $5,751,000 is collected;
2. A refund to the account of Giant Mine in the aggregate amount of $599,000; and
3. Interim Rates to apply to all rate classes.

Order:
In response to a Board Information Request, NWTPC noted that changes in its previously approved cost of service study included the adoption of a single rate zone for the NWT. The change was expected to be included in its Phase II GRA filing.

After reviewing the application, responses to information requests provided by NWTPC and letters from Miramar Mining Corporation ("**Miramar**") and the City of Yellowknife/Town of Hay River, the Board denied the application, other than as it applied to Miramar. NWTPC was ordered to file a revised application based on existing rate zones, within 21 days of this Decision.

DECISION 7-2002 **August 15, 2002**

Application:
Northland Utilities (Yellowknife) Limited ("**Northland Yk**"), by letter dated July 29, 2002, filed an application to change the existing Yellowknife franchise tax rate, due to an overcollection $82,535 forecast to December 2002.

Order:
The Board reviewed and approved the rate schedules reflecting a decrease of 2.2427% in the franchise tax rate.

DECISION 8-2002 **September 16, 2002**

Application:
By letter dated September 5, 2002, NWTPC filed a revised application as directed by the Board in Decision 6-2002.

Order:
The Board noted in its Decision that it considers interim rates should be set to minimize rate adjustments on a final basis. The Board also noted that as NWTPC's tariffs are established on the basis of community revenue requirement that it was appropriate to allow NWTPC to recover the 2001/02 revenue deficiency and make adjustments to the 2002/03 go-forward rates based on revenue requirements by community. The Board further noted that it considered it preferable to move revenue to cost ratios of communities served by NWTPC closer to tolerance in graduated steps. Accordingly, the Board modified the rate adjustments to reflect these considerations.

The Board ordered NWTPC to file rate schedules, effective October 1, 2002, reflecting the approved 2001/02 revenue shortfall riders and 2002/03 rate adjustments.

DECISION 9-2002 **September 30, 2002**

Application:
By letter dated September 26, 2002, NWTPC filed rate schedules to reflect Decision 8-2002.

Order:
The Board reviewed the information provided by NWTPC and approved the rate schedules, on an interim refundable basis.

DECISION 10-2002 **September 30, 2002**

Application:
By letter dated September 24, 2002, Northland Yk filed an application to increase the existing NWTPC shortfall rider (Rider C) for its Yellowknife customers. Northland Yk requested to flow through the additional increase in purchase power costs adjusted for line losses of 6.27%, to its Yellowknife customers.

Order:
The Board reviewed Northland's application and approved Rider C, on an interim refundable basis.

DECISION 11-2002 **September 30, 2002**

Application:
By letter dated September 24, 2002, Northland NWT filed an application to increase the existing NWTPC shortfall rider (Rider F) for its Hay River customers. Northland NWT requested to flow through the additional increase in purchase power costs, adjusted for line losses of 10.4%, to its Hay River customers.

Order:
The Board reviewed Northland's application and approved Rider F, on an interim refundable basis.

DECISION 12-2002 **November 12, 2002**

Application:
On September 19, 2002, NWTPC submitted an application for approval of a project permit pursuant to Section 54 of the Public Utilities Act for a capital project to purchase the Bluefish Hydroelectric Generation Station and associated assets ("**Bluefish Station**") from Miramar.

The Board, by letter dated September 25, 2002, directed NWTPC to forward a copy of the Application to all interested persons in NWTPC's 2001/03 Phase II GRA. The Board provided a schedule for the submission of information requests and advised the parties that it had decided to deal with the Application by means of a written process.

Order:
After giving consideration to the Application, the submissions and responses from the applicant and the interested parties, the public need for the project and the reliability of the utility, the Board approved the application for a project permit to purchase Bluefish Station, in accordance with the application.

Application:
By letter dated November 19, 2002, NWTPC applied for approval for a private placement of debentures. NWTPC advised that the purpose of the debenture was to discharge NWTPC's financial obligations under a long-term capital loan facility entered into as of November, 2000, approved in Decision 9-2000.

Order:
After reviewing the application and the information provided in support thereof, the Board approved the issuance of the debenture in the principal amount of 20 million at a rate not to exceed a spread over the benchmark long Canada bonds of 130 basis points.

THE PUBLIC UTILITIES BOARD

Mandate

The Northwest Territories Public Utilities Board is responsible for the regulation of the energy utilities in the Northwest Territories ("**NWT**"). Its prime responsibility, granted under the authority of the *Public Utilities Act* ("***the Act***"), is to establish just and reasonable rates for utility services, while balancing the interests of the utility customer and investors.

Board Organization

The Board consists of a part time Chairperson and two part time members. The Board Secretary, who reports to the part time Chairperson, administers the office.

In September of 1991, the Board underwent an organizational restructuring in accordance with amendments of *the Act*, and a full time Chairperson was appointed. The restructuring was in anticipation of the increased mandate of the Board, consequential to the *Northwest Territories Power Corporation Act* amendments. The amendments provided that, in addition to determining the rate base and revenue requirements of NWTPC, as of April 1, 1992, the Board be given the further responsibility of determining rates for NWTPC.

As the chief executive officer, the Chairperson presides over sittings of the Board and supervises Board employees. *The Act* give the Minister Responsible for the Board, upon the recommendation of the Chairperson, the authority of appoint a Secretary to the Board.

As of March 31, 2001, the Chairperson position became part time.

The Board was authorized a staff complement of five persons, including the full time Chairperson. Over the past several years three staff members have resigned and it was decided to not hire replacements. The Board operates efficiently with a part time Chairperson, a full time Board Secretary and outside counsel and consultant. Because of the technical nature of the work, the Board is dependent on specialized outside assistance. No changes are contemplated, as the arrangement is cost effective.

The Minister Responsible for the Board, upon the recommendation of the Executive Council appoints members of the Board. At present, the Board consists of the following persons:

Chairperson	John E. Hill, Devon, Alberta
Vice-Chairperson	Gene Nikiforuk, Inuvik, Northwest Territories
Member	Gabrielle Decorby, Yellowknife, Northwest Territories

The Board is assisted by:

Board Secretary	Louise Larocque, Hay River, Northwest Territories
Legal Counsel	John Donihee Barrister and Solicitor, Calgary
Consultant	Raj Retnanandan, Energy Management & Regulatory Consulting Ltd., Edmonton

REGULATORY JURISDICTION

Following are the utilities subject to the Board's jurisdiction:

Northwest Territories Power Corporation
Head Office: Hay River, Northwest Territories

Stittco Utilities NWT Ltd.
Head Office: Hay River, Northwest Territories

Northland Utilities (NWT) Limited
Head Office: Hay River, Northwest Territories

Northland Utilities (Yellowknife) Limited
Head Office: Yellowknife, Northwest Territories

The Town of Norman Wells
Head Office: Norman Wells, Northwest Territories

Aadrii Ltd.
Head Office: Yellowknife, Northwest Territories

Inuvik Gas Ltd.
Head Office: Inuvik, Northwest Territories

UTILITY REGULATION

The need for regulation arises because utilities generally provide service on a monopoly basis without the economic controls of competition. The Board is the proxy for competition and attempts to ensure efficiency and fair pricing. The principles of rate regulation rest on fairness to both the utility and the consumer.

2002 IN REVIEW

The Board issued the Decisions outlined at the begin of this Annual Report.

After NWTPC Phase I Board Decision was issued in February 2002, NWTPC advised the Board that their Phase II GRA was delayed because of matters being considered by the Territorial Cabinet.

On September 6, 2002, NWTPC filed its 2001/03 Phase II GRA to determine appropriate rates for their customers. In its Phase II GRA, NWTPC requested approval to levelize the rates across the NWT. Due to the dismissal of NWTPC's Board of Directors, NWTPC, by letter dated October 17, 2002, requested approval to withdraw its 2001/03 Phase II GRA for levelized rates and would re-file its 2001/03 Phase II GRA to apply for community based cost of service rates.

On November 12, 2002, NWTPC re-filed it's Phase II GRA. A hearing will be held in Yellowknife and Inuvik.

A LOOK AHEAD

The Board is expected to issue a decision with respect to NWTPC's 2001/03 Phase II GRA, by the end of May 2003.

During the coming year, Northland Yk and Northland NWT will provide financial information to the Board for review. The two utilities may be required to file General Rate Applications, based on the Board's review as provided for in section 65 of *the Act*. If a GRA is filed, the Board will hold public hearings to determine a rate base and revenue requirement, and rates that are just and reasonable.